

Meeting Notes

Meeting	CASH SETTLEMENTS PROJECT MEETING
Date / Time	12.00 – 1.00pm Thursday 5 March
Location	Rakaia Room, Level 8 HSBC,
Attendees	9(2)(a)

Apologies

ITEM	DISCUSSION	ACTION POINTS / TIMEFRAMES
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5.	<p>Cash settlement brochure</p> <p>9(2)(a) is leading this piece of work. The booklet will be divided into four sections:</p> <ol style="list-style-type: none"> 1. The decision – should I cash settle 2. I have decided to cash settle and not do the repairs or rebuild – what do I need to be award of? 	<p>^{9(2)(a)} to circulate draft layout</p> <p>Update at next project meeting</p> <p>19 March</p>
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Meeting minutes

Meeting	Housing Recovery Programme (HRP) Meeting
Date / Time	Thursday 16 April 2015, 2.00pm – 2.50pm
Location	Board Room, Level 8, HSBC Tower, 62 Worcester Boulevard, Christchurch (Conference bridge number: Dial 083033. Enter PIN 649115#)
Attendees	MBIE: 9(2)(a) CERA: David Griffiths (Chair). 9(2)(a) 9(2)(a)
Apologies	MBIE: 9(2)(a) CERA:

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2	Comms Update	9(2)(a)
<p>Cash Settlement Booklet</p> <ul style="list-style-type: none"> • Intention to link these to ITK seminars and distribute at the hub • IAG has offered to run community workshops to test the booklet. • We will seek to involve 9(2)(a) Inter Church Forum in the process to provide another community perspective. 		

Shona Jefferies

From: Renee Walker <Renee.Walker@iag.co.nz>
Sent: Thursday, 16 April 2015 12:07 p.m.
To: 9(2)(a)
Subject: Fwd: Cash Settlement booklet notes :)
Attachments: Cash Settlement Booklet.docx; ATT00001.htm

Sent from my iPhone

Begin forwarded message:

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1. FW: Cash settlement booklet part 1 updated [UNCLASSIFIED]

From: Linda Falwasser <Linda.Falwasser@southernresponse.co.nz>
To: 9(2)(a) @mbie.govt.nz
Sent Date: Apr 29, 2015 17:50:33
Subject: FW: Cash settlement booklet part 1 updated [UNCLASSIFIED]
Attachment: [image002.png](#)
[ATT00001.htm](#)
[Cash settlement Part 1 28 Apr.docx](#)
[ATT00002.htm](#)

Hi 9(2)(a)

All looking good so far from our perspective. We would want to see any further drafts please.
Good work.

Thanks Linda

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Meeting minutes

Meeting	Rebuild & Repair Communications Steering Group
Date / Time	3:00pm – 3.30pm Thursday 30 April
Location	CERA Offices, HSBC 62 Worcester Boulevard
Attendees	Scirt, CERA, ECan, ICNZ, MBIE, EQC, CCC
Apologies	IAG, Ngai Tahu

Issue / Topic	
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2	<p>Report back on individual project teams</p>	<p style="text-align: center;">9(2)(e)</p> <p>The cash settlement booklet deadline is to get a final draft by Friday 8 May.</p>
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9(2)(a)

From: 9(2)(a) @cera.govt.nz>
Sent: Monday, 4 May 2015 10:24 a.m.
To: 9(2)(a)
Subject: Cash Settlement Project Update - Week ending 1 May

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Cash Settlement Booklet

- The booklet content is still being developed with the relevant agencies and is therefore some time away. As such, we are looking to at what information can be made available in the meantime – especially at the Hub. IAG have offered to clean/de-brand their cash settlement process information for this purpose. I am also looking into producing a standalone process map that can be made available quickly by working with our internal production team.

9(2)(a)

From: 9(2)(a) @eqc.govt.nz>
Sent: Tuesday, 12 May 2015 2:28 p.m.
To: 9(2)(a)
Subject: Updated EQC Material
Attachments: Updated MBIE Booklet - EQC (Legals).docx

Hi 9(2)(a)

Updated material attached.

Cheers,
9(2)(a)

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9(2)(a)

From: 9(2)(a) @iag.co.nz>
Sent: Thursday, 14 May 2015 8:58 a.m.
To: 9(2)(a)
Subject: RE: Cash settlement to do list [UNCLASSIFIED]

H 9(2)(a)

These look really good. I can look at writing them up today. Sorry I was offline yesterday – we have events running all across the country that I’m organising while I’m back based in Auckland plus any incoming media stuff, but today looks clearer and I should be able to work more with you.

The 9(2)(a) have given their permission for us to use their testimonial for the booklet which is good. But I agree, they are a little dry and whether they add anything in terms of giving people confidence in choosing cash settlement is doubtful.

I’ve had feedback from our underwriters on the myth busters which I should also have time to look at today. I will try my absolute best to get the info required to answer the outstanding questions in the booklet from there, but I am worried about this going to print without various underwriters/ eq/ cash settlement/ lawyers looking over it. Just putting it out there.

9(2)(a)

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9(2)(a)

①

From: Terry Jordan <Terry@icnz.org.nz>
Sent: Friday, 15 May 2015 9:23 a.m.
To: 9(2)(a)
Cc: Tim Grafton; Sarah Knox; Amy Lacey; Casey Hurren; David Ashe; Dean MacGregor ; Grant Paul; Greg Leonard-Jones (greg.leonard-jones@fmg.co.nz); 9(2)(a) ; Jimmy Higgins; Lyndal Preston; Yvonne Wright
Subject: RE: Part 2 CS Booklet- What do I need to understand about the CS Process [UNCLASSIFIED]

Hi 9(2) . I have left you a voicemail on this but I thought I'd follow up with an email to clarify the ICNZ position. There are some serious issues with trying to define an industry position on cash settlements because all insurers have different wordings and approaches which can't be summed up in one all inclusive document. The draft document has a number of inaccurate statements and could be severely misleading for property owners. In our view this document will create an additional obstacle for insurers to have to work around and it should not be published. In addition, it could expose parties who prepare the document to liability for increased costs for property owners who suffer delays as a result of taking the general advice from the publication that does not reflect their insurers position.

Because of this, ICNZ will not be able to badge this publication and our position is that this should be left for each insurer to prepare their own "cash settlement pack" for their customers.

Regards

Terry

Terry Jordan
Operations Manager



Ph: 9(2)(a)
Mo

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9(2)(a)

From: 9(2)(a) @cera.govt.nz>
Sent: Friday, 15 May 2015 3:12 p.m.
To: 9(2)(a) David Griffiths; 9(2)(a)
Subject: RE: Cash Settlement Booklet [UNCLASSIFIED]

Thanks 9(2)(a)

Having a disclaimer at the beginning of the insurance section and making it more generic by framing the information as questions you *may* wish to ask your insurer may go some way to addressing Terry concerns.

To allay any fears ICNZ has about this booklet, it may be appropriate for David to speak with Terry. I suggest acknowledging Terry's email and letting him know that we will back in touch on Monday once we have had a chance to think about how we can best address his concerns.

9(2)(a)

Housing Recovery Programme
Social and Cultural Recovery
Canterbury Earthquake Recovery Authority (CERA)

T: 9(2)(a)
M:
E: [@cera.govt.nz](mailto:9(2)(a)@cera.govt.nz)

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5. RE: Updated 20 May Cash settlement booklet [UNCLASSIFIED]

From: Linda Falwasser <Linda.Falwasser@southernresponse.co.nz>
To: 9(2)(a) @mbie.govt.nz>
Sent Date: May 21, 2015 12:45:13
Subject: RE: Updated 20 May Cash settlement booklet [UNCLASSIFIED]
Attachment: [image002.jpg](#)
[image004.wmz](#)
[image003.png](#)

Hi 9(2)(a)

I've had a chance to have a solid read of the draft document this morning. From our perspective everyone's situation to resolving their earthquake claim is different. With the number of Insurers involved and varying policies – we would prefer to communicate our options with our customers directly. It is taking a lot of time and care to move people through the settlement process and we can't afford any type of derailment or stagnation at this point. Therefore we are unable to contribute to, or associate Southern Response with, the proposed publication.

We understand what MBIE is trying to achieve here for the greater good but with the amount of information in this book, is highly likely to confuse people when it's not tailored to their individual insurer situation / policy. There is already a bit happening with regards to 'a generic approach' to cash settlement information e.g. In the know hub and Duncan Webb's cash settlement seminar next week etc.

Apologies for the delay in letting you know this, this late in the piece but this is the first time we have had an opportunity to review in its entirety.

Regards,
Linda

Linda Falwasser

Strategic Communications Manager
Southern Response Earthquake Services Ltd

6 Show Place, Addington
PO Box 9123, Tower Junction
Christchurch, 8149, New Zealand

From: 9(2)(a) [mailto:9(2)(a)@cera.govt.nz]
Sent: Thursday, 11 June 2015 10:02 a.m.
To: 9(2)(a)
Subject: Update from EQ GM Insurance Meeting 28/5 re Cash Settlement Booklet

Kia ora 9(2)(a)

Following on from our conversation yesterday, and David's email below, I am not clear who from MBIE owns this piece of work and therefore has final sign off.

Are you able to clarify this process?

Thanks.
9(2)(a)

Housing Recovery Programme
Social and Cultural Recovery
Canterbury Earthquake Recovery Authority (CERA)

T: 9(2)(a)
M:
E: [mailto:9(2)(a)@cera.govt.nz]

From: 9(2)(a) **On Behalf Of** David Griffiths
Sent: Tuesday, 9 June 2015 10:31 a.m.
To: 9(2)(a) Adrian Regnault
Subject: Update from EQ GM Insurance Meeting 28/5 re Cash Settlement Booklet

Hi Adrian and 9(2)

The cash settlement booklet was discussed at the Thursday 28 May Earthquake General Managers Group Meeting. The committee's recommendation was that this booklet should strip out or severely pare back the pre-cash settlement portion of the booklet. I agreed to relay this view to MBIE.

I also understand that you 9(2)(a) and 9(2)(a) have discussed separating the "Managing your repair or rebuild" section of booklet and making available as a separate standalone publication. The reasoning being that the usefulness of the pre-cash settlement information is time limited whereas the last section will remain relevant, and will be needed, for a longer period.

It seems to me that while CERA and MBIE have proposed this for different reasons, separating this section would also address some of the concerns raised by insurers.

Happy to discuss this further.

Regards

David

David Griffiths

General Manager, Residential Rebuild and Housing
Community Recovery
Canterbury Earthquake Recovery Authority (CERA)
Private Bag 4999, Christchurch 8140

T: 9(2)(a)

M:

E: david.griffiths@cera.govt.nz

W: www.cera.govt.nz

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9(2)(a)

From: 9(2)(a) @cera.govt.nz>
Sent: Wednesday, 17 June 2015 12:52 p.m.
To: David Griffiths; 9(2)(a)
Cc: 9(2)(a)
Subject: RE: Cash settlement booklet

Kia ora 9(2)(a)

I understand from 9(2)(a) that you were wondering if these changes would mean ICNZ would co-brand.

ICNZ don't wish to co-brand but making these amendments will increase their comfort with the booklet.

Thanks.

9(2)(a) |
Housing Recovery Programme
Social and Cultural Recovery
Canterbury Earthquake Recovery Authority (CERA)

9(2)(a)

[@cera.govt.nz](mailto:9(2)(a)@cera.govt.nz)

From: David Griffiths
Sent: Monday, 15 June 2015 1:01 p.m.
To: 9(2)(a)
Cc: 9(2)(a)
Subject: Cash settlement booklet

Hi

I have received some feedback from Terry at ICNZ.

I have also had a good look through the booklet and would recommend the following minor changes.

Page 16

Third bullet point. Delete "A rule of thumb is to include a 20 per cent contingency....(This does not allow...see below)

I think the 20 per cent figure is an opinion and does not help and could confuse. It will also create conjecture and will be difficult to argue is correct.

Page 22

If I decide to cash settle, does it have to be a 'full and final' settlement?

Insurers differ in their policies, but generally the answer is no.

I would delete the part "but generally the answer is no"

Again I think this is an opinion and I am not convinced it is a correct one, or a discussion we should be enter into.

Let me know your thoughts.

David

David Griffiths

General Manager, Residential Rebuild and Housing
Community Recovery
Canterbury Earthquake Recovery Authority (CERA)
Private Bag 4999, Christchurch 8140

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E: david.griffiths@cera.govt.nz

W: www.cera.govt.nz

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From: HIGGINS, Jimmy <Jimmy_HIGGINS@vero.co.nz>
Sent: Wednesday, 8 July 2015 9:01 a.m.
To: Helen Allred; Terry@icnz.org.nz; alacey@acsclaimsservices.co.nz; Casey.Hurren@southernresponse.co.nz; david.ashe@tower.co.nz; dean.macgregor@iag.co.nz; grant.paul@fmg.co.nz; greg.leonard-jones@fmg.co.nz; jill.banwell@mas.co.nz; lyndal.breton@mas.co.nz; WRIGHT, Yvonne
Cc: david.griffiths@cera.govt.nz; 9(2)(a)
 9(2)(a) 'Tim Grafton'; 9(2)(a)
Subject: RE: Cash settlement booklet for Canterbury homeowners [UNCLASSIFIED]

Helen

Thanks for the feedback. My comments are:

1. It is wrong to say that we have been involved in the early stages of this production. This is incorrect and this point was made clear at the GM meetings. In fact all Insurers expresses concern about its production without the endorsement (or knowledge) of the senior members. Insurer preferred to produce their own material for their respective customers.
2. Speaking for Vero, this booklet MBIE is promoting is unhelpful for the following reasons:
 - a. There are a number of factual inaccuracies that will mislead the customer, e.g. 20% contingencies, comments on risk transfer, provisional sums, details included in a cash settlement agreement, "full & final", indemnity value – to name a few.
 - b. MBIE is promoting the use of Insurance Advocate rates (pg 13). The insurance industry has worked very hard to deal with unreasonable advocates who are demanding outrageous and extravagant settlements on behalf of customer that simply cannot be justified. Coupled with the suggested 20% contingency will add more fuel and provide relevance to their positions. Taking the position MBIE is proposing, it suggests Insureds should expect an additional \$300k on a \$1.5m repair. This will just be the starting point for advocates and will prolong settlements (possibly ending in Court).
 - c. The general theme of the document seems to avoid speaking with their Insurer first. Insurers will have the best information and trusted relationships with their customers. If MBIE is advising customers to get independent quotes and advice it should advise consumers that it will be at their cost.
 - d. The booklet introduces the concept of partial settlements – this is not available in Vero or AA's program so it is wrong to suggest that "Insurers could ..."
 - e. The MBIE comments around foundation costs is incorrect (pg 19, 30).
 - f. The MBIE comments under 'Ongoing Insurance' (pg 31) is misleading and incorrect. MBIE is a Building Regulator that is providing Insurance advice to customers and on insurance processes that are not correct. This could be considered financial advice as it guides consumers on determining their Sum Insured and how Insurers set premiums.
3. Regarding the CE meeting in February this year. I attended this meeting which was held in Christchurch. There was no discussion on Insurers moving to cash settlements or any discussion on MBIE producing a booklet on cash settlements. I have also examined the CE minutes for the March meeting and the only comments by CERA was on their cash settlement project, which was to examine the production of a database to help prospective property purchasers with their due diligence.

It still perplexes me how a MBIE can produce a critical publication on insurance matters for our customers without the involvement or endorsement of Insurers.

Regards
 Jimmy

Jimmy Higgins | Executive General Manager - Claims

9(2)(a)

From: David Griffiths <David.Griffiths@cera.govt.nz>
Sent: Wednesday, 8 July 2015 9:15 a.m.
To: Helen Allred
Subject: FW: Cash settlement booklet for Canterbury homeowners [UNCLASSIFIED]

Hi

I am going to dig out some info around this as the picture he is painting is not correct. ICNZ were involved at an early stage and there is a disconnect within their own organisations (in their comms team) that MBIE and CERA only became aware of later in the process.

Cheers

David Griffiths
General Manager, Residential Rebuild and Housing
Community Recovery
Canterbury Earthquake Recovery Authority (CERA)
Private Bag 4999, Christchurch 8140

9(2)(a)

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29

9(2)(a)

From: Dean MacGregor <Dean.MacGregor@iag.co.nz>
Sent: Wednesday, 8 July 2015 9:22 a.m.
To: 9(2)(a)
Subject: Fwd: Cash settlement booklet for Canterbury homeowners [UNCLASSIFIED]
Attachments: ATT00001.htm

Hi 9(2)(a)

I understand you have worked with Renee Walker from our office in developing some of the material for this document. I also understand some of your testing with homeowners in some recent focus groups run by IAG so hopefully this proved useful.

I think it's fair to say that this stage of IAG's settlement programme it is very difficult to produce a guidance document that can adequately with the individual complexities and queries that homeowners have when considering cash settlement.

When IAG settles a claim with a cash settlement every property is considered on a case by case basis and this will include looking at the risk of variations etc. I'm concerned that this booklet sets an expectation for homeowners around issues like variations when in some cases this might be appropriate but in many cases it won't be. I'm also concerned about comments on discharges as IAG encourages all of its customers to seek appropriate legal advice, relying on a booklet like this creates a risk that homeowners won't seek that advice.

I fully support the material which helps customers with the refunding of their property.

Regards

Dean

Begin forwarded message:

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On 8/07/2015, at 3:36 pm, Greg Leonard-Jones <greg.leonard-jones@fmg.co.nz> wrote:

Good morning 9(2)(a)

We too support the concerns ~~Timmy~~ Vero has raised and can't support this document.

Regards,
Greg Leonard-Jones

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From: Terry Jordan <Terry@icnz.org.nz>
Sent: Thursday, 9 July 2015 11:44 a.m.
To: Helen Allred; HIGGINS, Jimmy; alacey@acsclaimsservices.co.nz;
Casey.Hurren@southernresponse.co.nz; david.ashe@tower.co.nz;
dean.macgregor@iag.co.nz; grant.paul@fmg.co.nz; greg.leonard-jones@fmg.co.nz;
jill.banwell@mas.co.nz; lyndal.preston@mas.co.nz; WRIGHT, Yvonne
Cc: david.griffiths@cera.govt.nz; 9(2)(a) Tim Grafton; Sarah Knox
Subject: RE: Cash settlement booklet for Canterbury homeowners [UNCLASSIFIED]

Helen, Jimmy's points below need to be taken seriously. Feedback to ICNZ from other insurers suggests that the publication of the booklet in this format could be a step backward in the settlements process which will result in increasing delays in the recovery. The incorrect and inaccurate information outlined in Jimmy's email will confuse people and create expectations of benefits that are outside insurers policy wordings. Insurers are likely to come under pressure to reopen settlements to pay additional benefits such as contingency sums. The case studies on pages 9 – 11 indicate that a property owner can expect to make a profit of around 20% above the cost of repair. This is grist for the mill for insurance advocates who are demanding unjustified extravagant settlements on behalf of customers.

This booklet has the potential to add millions of dollars to the cost of the recovery as customers seek payments above and beyond their policy benefits. A significant portion of this through Southern Response settlements, would come from the government purse.

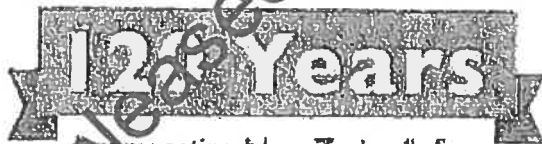
The problems with the booklet from insurers' viewpoint all relate to the pre-settlement details which is the insurer's area of interest. The post settlement information, from par 3 onwards is very good and will be valuable for property owners once they have received their cash settlement. MBIE's focus, as the building regulator, should be on this part and it can be used in conjunction with information that insurers have prepared on cash settlements for their customers which is aligned to their policy benefits.

Regards

Terry

Terry Jordan
Operations Manager

ICNZ Insurance Council
of New Zealand



Representing New Zealand's Fire
& General Insurance Industry

Ph. 9(2)(a)
Mo

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From: ASHE, David <David.Ashe@tower.co.nz>
Sent: Thursday, 9 July 2015 9:56 p.m.
To: Helen Allred
Cc: david.griffiths@cera.govt.nz
Subject: Re: Cash settlement booklet for Canterbury homeowners [UNCLASSIFIED]

Helen/David,

TOWER's view is consistent with the email you received from Vero and from ICNZ. This is also consistent with the discussion at the GM meeting a couple of months back that David attended.

Regards, David.

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9(2)(a)

From: 9(2)(a) @ccc.govt.nz>
Sent: Friday, 10 July 2015 11:49 a.m.
To: 9(2)(a)
Subject: Cash Settlement doco

Hello 9(2)(a)

OMG what a riveting read (just joking) taken me a couple of days longer to get through it but I do have some thoughts...

1. You do mention contingency Works insurance early on but you need to include it in the rebuild / repairing your house section also - usually the insurance company covers this themselves when they do the repair but it should be itemised when you cash settle and you may need to take out a separate policy (in \$1000s) when you do a rebuild or major repairs.
2. I think you should talk somewhere in Parts 1 and 2 about the upfront cost of getting expert advice - our experience is that we have had to spend tens of thousands of dollars getting our own expert advice to argue our case with the insurance company. I wonder whether you don't need to explain that in order to dispute something with the insurance company or in court you probably will need relevant experts to argue your case eg. Quantity surveyors, structural engineers, lawyers. In theory you should get this money reimbursed as part of the settlement but of course there is a risk and you will have to pay for this advice yourself before the settlement....
3. I think you need a section on the kind of process steps you can expect - obviously everybody's case is different but there are common steps that you can expect and particularly what to do if you disagree....
 - a. Insurance will give you a scope of damage - you agree or you engage expert advice to dispute
 - b. Insurance makes a settlement offer - you agree (after consulting a lawyer) or you engage expert advice to dispute
 - c. Disagreement over what the policy covers - engage a lawyer
 - d. Disagreement over cost of repairs - engage a quantity surveyor - if the two quantity surveyors can't agree - look to jointly engage an independent QS to review
 - e. Disagreement over what work is required structurally - engage a structural engineer
 - f. Signing a cash settlement - what happens if unexpected damage or foundation costs are greater - who is insuring your house and the building works - has the bank agreed to lend any money - do you have to rebuild or repair?
 - g. Go to court to resolve dispute if all else fails... what can you expect - pros and cons (don't think you mention court but that is the last resort - always)
4. Need to remind people to check the hidden stuff like sewers and stormwater before agreeing on the scope of damage...
5. Section on EQC land damage should talk about depreciated value of retaining wall damage - this is a big issue for people with retaining walls and not well understood - what are their rights and what questions should they ask - how do they dispute?
6. Have you mentioned ECans contaminated land register - affects a surprising number of properties - you should at least mention along with resource and building consents - it is expensive and difficult to sort.

I can't believe that I am dealing with all this crap..... imagine what I could be doing with my life!!

Cheers 9(2)(a)

9(2)(a)

From: HIGGINS, Jimmy <Jimmy_HIGGINS@vero.co.nz>
Sent: Tuesday, 14 July 2015 8:19 a.m.
To: Helen Allred
Cc: 9(2)(a) David Griffiths (david.griffiths@cera.govt.nz); 'Tim Grafton'; 9(2)(a) Terry Jordan (Terry@icnz.org.nz)
Subject: RE: Cash settlement areas for clarification/ accuracy [IN-CONFIDENCE:RELEASE EXTERNAL]

Dear Helen,

I have provided an outline below of some of the more critical issues with this document. Unfortunately in my view, I do not see that amending the "pre-settlement" sections of this booklet or trying to make it even more general in its terms will assist to make it any less problematic. It is not our wish to be obstructive but it appears that MBIE is extending well beyond its area of expertise and straying into areas that will cause stress and confusion.

The difficulty is that providing any broad-spectrum information in the way envisaged here is that it is either so vague as to be unhelpful or not nuanced enough which causes it to be misleading. We do not see any easy solution to the difficulties resulting from this one-size fits all approach which is why our strong view is that insurers should provide their own policy and property-specific information direct to customers.

Some of the more problematic and objectionable messages include:

- Pages iv and 29 - The statements that full and final cash settlements "shift all the risk" to the customer are not accurate. In fact the purpose of a full and final cash settlement is for both parties to reach a compromise and each party takes the risk on the bargain they have struck. Costs may reduce from the amount paid by the insurer as time moves on yet insurers take the risk on this and don't ask for money back from customers. In addition it doesn't take into account the benefits to an insured in having funds paid early, achieving certainty, and availing themselves of interest earned on the payments that they bank and control.
- Page 3 - The statement that a "cash settlement is for the cost of repairing or rebuilding your earthquake damaged home" is incorrect. Most cash settlement policy entitlements are for indemnity value only. Insurers may exercise discretion but paying the full cost of rebuilding or repair costs is not an obligation as this statement implies.
- Page 3 - The statement "your insurer covers other items that the Act does not deal with, such as fences and driveways, no matter whether you are settling the rest of your claim with EQC or your insurer" needs to be qualified. These 'other items' are set out extensively in Schedule 2 of the Act and are not automatically covered by insurers. Several of these items are typically excluded from insurance policies so it is important not to suggest that anything not covered by EQC is covered by insurers.
- At page 4 and throughout the document reference is made to recommending people obtain their own independent assessments. While of course this is open to any owner to do so it should be made express when this is suggested that this will be at the cost of the owner and they will also have to take into account the delays involved in doing this when making this decision.
- Page 4 - The suggested question "May I have a copy of the claim file including and the costed scope of works and any variations?" is unclear. By definition variations occur later, they are not contained in scopes and are therefore not costed.
- Page 4 - The comment that the settlement offer "should cover professional fees that you need such as ..." is not an appropriate statement for MBIE to be making as to what should be covered. The fees that may be covered will depend on the insurance policy and what exactly is required in the particular circumstances of the case to indemnify the insured. In particular at page 4 it is misleading to suggest that architect's fees and project management fees are covered when they may not be necessary for the particular reinstatement and not covered by a policy. This erroneous statement about project management costs needing to be included is repeated at page 15 and elsewhere.

So you can see from our initial reading of the pre-settlement component we have great concerns about the accuracy and misleading information this is providing. The content does not appear to have had input from anyone with insurance expertise and is written from a lay person's perspective.

I reinforce again that I don't support the publication of this booklet (i.e. the components that relates to pre-settlement of insurance claims and policy interpretation matters). As a Building Regulator I see MBIE's expertise in building construction and the build process, which this booklet addresses in the latter sections. I am going on leave shortly and will not be back until mid August. I have forwarded this to the ICNZ as well so that my comments can be included in other member's responses.

Regards

Jimmy

Jimmy Higgins | Executive General Manager - Claims

Vero Insurance New Zealand Ltd | Vero Centre, 48 Shortland Street, Private Bag 92120, Auckland 1142
9(2)(a) | jimmy.higgins@vero.co.nz | www.vero.co.nz



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From: [redacted] <[redacted]@dpmc.govt.nz>
Sent: Tuesday, 14 July 2015 10:48 a.m.
To: David Griffiths;
Subject: FW: Cash settlement areas for clarification/ accuracy [IN-CONFIDENCE:RELEASE EXTERNAL]

[IN-CONFIDENCE]

Do we have a plan here?

[redacted]

*Policy Advisory Group
Department of the Prime Minister and Cabinet*

[redacted] <[redacted]@dpmc.govt.nz>

[redacted]

9(2)(a)

From: David Griffiths <David.Griffiths@cera.govt.nz>
Sent: Tuesday, 14 July 2015 12:47 p.m.
To: 9(2)(a)
Subject: RE: Cash settlement areas for clarification/ accuracy [IN-CONFIDENCE:RELEASE EXTERNAL] [IN-CONFIDENCE]

There is always a plan ^{9(2)(a)}

We need to have a good look at his feedback. Interesting as insurers have gone through this, but we will review and consider our situation from there.

Cheers

David Griffiths
General Manager, Residential Rebuild and Housing
Community Recovery
Canterbury Earthquake Recovery Authority (CERA)
Private Bag 4999, Christchurch 8140

9(2)(a)

E: david.griffiths@cera.govt.nz

W: www.cera.govt.nz

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From: Tim Grafton <tim@icnz.org.nz>
Sent: Friday, 17 July 2015 8:03 a.m.
To: ~~Helen~~Allred; David Griffiths
Cc: Jimmy Higgins; Dean MacGregor; David Ashe; Yvonne Wright
(yvonne_wright@aainsurance.co.nz); Lyndal Preston; Greg Leonard-Jones; Terry Jordan; Sarah Knox
Subject: Cash settlement booklet

Helen/David,

I am away for two weeks from today and understand that the cash settlement booklet is planned to be released possibly while I am away. Terry Jordan has been liaising with you on this till now and he is away sick today. So, to tidy matters up from ICNZ's end, I have received feedback from my members that clearly and unambiguously persuade me that ICNZ cannot endorse or be associated with the part of the booklet that deals with advice on cash settling. I appreciate the good intentions to advise people and respect your right to publish what you want and, if you do, I would urge you to address all the points raised by insurers and carefully consider the liability of providing advice in this area.

My members advise me that even approaches taken by an individual insurer on cash settlement will differ on a case by case basis depending on circumstances and the risk of variations that are specific to each property. This is also an area where people should seek legal advice and where other interests, for example, a bank holding a mortgage over a property will have interests that further complicate and individualise the decisions to be made. All this is quite apart from different approaches to cash settlement adopted across insurers. There is a risk that people may take general advice in a government publication as authoritative, but which does not match their individual circumstances. This in turn could lead to misplaced expectations and possibly even disputes.

I do appreciate the close cooperation we have had and continue to have on many other aspects of the recovery, but this is one where we must disagree. I have not been close enough to the genesis of this document to know whether this was encouraged by us in any way though I have heard second hand reports that may be a perception. If that is the case, then I apologise for any misunderstandings we may have caused, but ICNZ endeavours to run all matters related to insurers' recovery efforts past the General Managers group. In this instance, there is no support for the cash settlement advice part of the booklet, so that is where matters rest from our end.

Regards

Tim

Tim Grafton
Chief Executive
Insurance Council of New Zealand

T: 9(2)(a)
M

9(2)(a)

From: Renee Walker <Renee.Walker@iag.co.nz>
Sent: Friday, 17 July 2015 12:58 p.m.
To: 9(2)(a)
Cc:
Subject: Cash Settlement Brochure

Importance: High

Hi 9(2)(a)

I'm just about to go into meetings until 3.30pm but will give you a call then.

I've spoken to Dean about his concerns and they were largely about contingencies and full and final discharges. I think Jimmy had similar feedback so if you can send me the changes you made based on his feedback I'll have a look and see if it covers Dean's concerns too.

Thanks!

Renée.

RENEE WALKER MBA, B.Bus, Dip.J.
 GENERAL MANAGER CUSTOMER SOLUTIONS
 CR CUSTOMER SOLUTIONS



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9(2)(a)

From: 9(2)(a) [redacted]@dpmc.govt.nz
Sent: Monday, 27 July 2015 3:43 p.m.
To: Helen Allred; 9(2)(a)
Cc: 9(2)(a)
Subject: RE: cash settlement booklet [UNCLASSIFIED]

[IN-CONFIDENCE]

No problem. If all of the comments of insurers have been adequately considered and addressed, with a good process being followed, then I am happy with MBIE and CERA using their collective judgement.

Cheers

9(2)(a)

Policy Advisory Group
Department of the Prime Minister and Cabinet

9(2)(a) @dpmc.govt.nz

9(2)(a)

9(2)(a)

From: Tim Grafton <tim@icnz.org.nz>
Sent: Friday, 7 August 2015 5:47 p.m.
To: 9(2)(a) Terry Jordan; HIGGINS, Jimmy; alacey@acsclaimsservices.co.nz; Casey.Hurren@southernresponse.co.nz; david.ashe@tower.co.nz; dean.macgregor@iag.co.nz; grant.paul@fmg.co.nz; greg.leonard-jones@fmg.co.nz; jill.banwell@mas.co.nz; lyndal.preston@mas.co.nz; WRIGHT, Yvonne; Helen_McNeil@vero.co.nz
Cc: 9(2)(a) Sarah Knox; David Griffiths (david.griffiths@cera.govt.nz); Helen Allred; Adrian Regnault
Subject: RE: Cash settlement booklet update [IN-CONFIDENCE:RELEASE EXTERNAL]

9(2)(a)

I am replying to the most recent draft that was distributed on Wednesday.

First, the views expressed in my email of mid-July on the booklet have not changed.

Second, while I have read the booklet, I see that issues about it must come from individual insurers and EQC, not ICNZ for the very reason that each insurer has a different approach and therefore we cannot hope to represent all views without deep knowledge of each approach which we do not have.

Third, it is evident that no matter what views we have expressed MABIE is intent on publication. So, accepting the inevitable, I make the following more general comments:

- Insurers have now cash settled in excess of 12,000 properties in Christchurch over the past few years and we are not aware of significant issues that have arisen as a result. This number far exceeds the remaining number of cash settlements that will occur. The need for a guidance book at this stage is not apparent.
- In light of this, the tone of the document raises concerns. For instance, there is relatively little emphasis on the benefit to the homeowner of a cash settlement (they can move on now with their lives than move into a PMO build queue) relative to a tone that focuses on risks, many of which insurers seek to address for their customers – hence why relatively few issues have arisen thus far.
- The title for Section Three “How Do I know if the cash settlement is fair” could imply that insurers were not trying to be fair. I would much prefer a more neutral/factual title for this section e.g. “What I need to consider when cash settling”.
- The book strikes me as far, far too long for people to read, so I wonder about its utility at this length.

Regards

Tim

Tim Grafton

Chief Executive
Insurance Council of New Zealand

T: 9(2)(a)
M

9(2)(a)

From: HIGGINS, Jimmy <Jimmy_HIGGINS@vero.co.nz>
Sent: Tuesday, 11 August 2015 7:59 a.m.
To: 9(2)(a)
Cc: 9(2)(a) Tim Grafton; Sarah Knox; David Griffiths (david.griffiths@cera.govt.nz); Helen Allred; Adrian Regnault; 9(2)(a) WRIGHT, Yvonne; Terry Jordan; 9(2)(a)
Subject: RE: Cash settlement booklet update [IN-CONFIDENCE:RELEASE EXTERNAL]

9(2)(a)

We endorse the comments made by Tim Grafton and are equally disappointed to see that not all of our previous feedback has been taken into account and that new problems have emerged in this most recent version. We are still of the very firm view that this document will hinder rather than help homeowners in Christchurch due to its inaccuracies and broad brush approach.

In a final attempt to provide MBIE with what it needs to correct the most significant of these problems we comment again and further as follows:

- Inside cover of booklet – In this disclaimer section we do not think it goes far enough to say that the approaches of insurers vary and it is not possible to cover every scenario. We think it should be clearly recorded that this document has not been approved by insurers.
- Page 1 – The problematic statement that we commented on previously about full and final cash settlements “shifting all the risk” to the customer remains. In fact the purpose of a full and final cash settlement is for both parties to reach a compromise and each party takes the risk on the bargain they have struck. Costs may reduce from the amount paid by the insurer as time moves on yet insurers take the risk on this and don’t ask for money back from customers. In addition it doesn’t take into account the benefits to an insured in having funds paid early, achieving certainty, and availing themselves of interest earned on the payments that they bank and control.
- Page 9 – the statement “Your policy may, depending on the extent of the damage to your insured property allow for the cost of...” is inaccurate. Either these costs are covered under the policy or not. So long as they are reasonably required, policy cover for them is not dependent on the extent of damage.
- Page 9 – we have previously pointed this out. The suggested question “Is my home safe to live in?” could lead to confusion by people as to the role of their insurer. While naturally any insurer who receives expert advice on the safety or otherwise of a property would pass that information on to an insured, it is not an insurer’s role to assess safety of dwellings so this is misleading.
- Page 10 – “may change policy coverage or policy conditions”
- Page 12 – “if you have a cross-lease and your property is to be rebuilt, it could be the ideal time to find out if your property would be of more value as a fee simple title rather than leasehold. Discuss this possibility with a lawyer and perhaps a land surveyor. Remember, there is a cost associated with this that won’t necessarily be covered under your policy”. This only tells part of the story. A decision to alter the title status could impact on claim timelines, outcomes and costs. Insurers need to be part of this discussion.
- Page 13 – “check with a professional at your cost if you have doubts”
- Page 18 – “You may need to get resource consent for your land repair. You should contact your local council for more information. You will also need to give them information about the type of land damage and the proposed repairs available. So, before you contact the council, you may also need to talk to your private insurer, mortgagee and the contractor who will do the repair, and a geotechnical engineer.” This needs more emphasis. Homeowners carrying out repairs to land, especially retaining walls, without this work being closely integrated with an insurer led repair, could result in serious problems for the homeowner.
- Page 18 - If your property has Increased Flooding Vulnerability (IFV) land damage, you could consider using any land cash settlement amount calculated on the basis of Diminution of Value (DOV), together with any cash settlement you may have for separate building damage, to reduce the effects of any future flooding.

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However, you are under no requirement to do so." This is incorrect for rebuilds. If they are rebuilding a home on that site the replacement house will need to be lifted to address IFV.

- Page 20 – Step 4 – “at your cost get independent advice from a lawyer etc.”
- Page 20 – Step 6 (b) – “present a build contract to prove that ...”
- Page 22 - Some insurance policies have a clause that allows the insurer to pay the indemnity value or cash equivalent of the cost of the repairs or rebuild.
- Page 23 – “If I decide to cash settle on an ‘ongoing repair basis’, can I choose the method of my repair or rebuild?” The word ‘decide’ implies this option is available as an option when it is often not the case and will mislead many people to develop unrealistic expectations.
- Page 24 to 27 – very little of the information contained in this section around insurance is correct. It is highly inappropriate for MBIE to be providing this sort of “advice”, particularly when it is so inaccurate. See further below:
 - Page 24 – “MOST INSURERS WILL CONTINUE TO INSURE YOUR HOME...” - this whole paragraph is incorrect. It is unclear where this idea of a time period of 6 months before renewal comes from or what it even means. There are so many permutations of circumstances that will mean that ongoing insurance is limited or unavailable.
 - Page 24 – “How will a cash settlement affect the amount my home is insured for?” The advice provided here is very concerning. It may have become apparent that the original sum insured was inadequate and so there is underinsurance or that any manner of new things have come to light. To say that the impact is a straightforward mathematical calculation and that you will pay a lower premium is concerning. The only message here should be to talk to your broker or insurer about updating this.
 - Page 24 – “Is it possible to insure an “as is where is” home?” – it should say that it may be possible to get cover not that it is.
 - Page 25 – “What insurance can I get...” This whole paragraph confuses a number of concepts and it is unclear where this concept of 2 years has come from. At the very least something like the following may at least be less misleading “Talk to your insurer or insurance broker about whether your existing policy provides property owners’ liability cover, or if contract works insurance is available. If you have an undamaged building on the same site (such as a granny flat or garage), your insurer might agree to continue to insure the undamaged building for its indemnity or current value.”
 - Page 25 “To extend the cover beyond the first year, your insurer will need you to provide some additional information that indicates you are rebuilding on the site.” This is highly problematic. The message should simply be to talk to your insurer or insurance broker to find out what you will need to provide to the insurer to see if the insurer is able to offer you renewal if your rebuild will take longer than one year.
 - Page 26 “Your cash settlement may include an amount to cover this extra cost”
 - Page 27 - You need to give your insurer or insurance broker some information. The information needed depends on the type of work done on your home. Your insurer will be able to confirm what information they will require”. Then the rest of the bullet points should be expressed just as examples. It is misleading to set this out as a prescriptive list when what is needed will depend.
 - Page 27 – “Your insurer will consider giving you insurance cover once the work is complete”
- Page 29 – “Your cash settlement should cover the costs of repairing or rebuilding your home”. We have previously pointed out the problem with this statement. Most cash settlement policy entitlements are for indemnity value only. Insurers may exercise discretion but paying the full cost of rebuilding or repair costs is not an obligation as this statement implies. At the very least please qualify the statement so that it makes it clear that “Unless it is an indemnity value or current value cash settlement...”
- Page 28 – Tim Grafton has already made the comment about the heading to this section and the refrain running throughout of knowing if the cash settlement is “fair” or not and should be amended as Tim has suggested.
- Page 30 – “A cash settlement is based on what can be assessed, and the cost your insurer or EQC estimates you would pay in the private market if you employed professionals to carry out the work, at the time the offer is made to you.” This is entirely inaccurate. It is not for insurers or EQC to “estimate” what you would pay in the market. Insurers and EQC go through very detailed scoping and costing exercises with all manner of professionals (such as engineers, builders, surveyors, geotechs, quantity surveyors etc) to obtain actual costs and scopes for the work including quotes from people to actually do the work. It is not for the insurer

to estimate what the private market would charge – insurers pay what the market and these experts have deemed are the reasonable costs that will need to be incurred.

- Page 30 – 31 – Contingency costs – We have previously outlined the ways in which the information about contingency costs are inaccurate. If the damage has been correctly scoped and priced there will be no need for contingency sums in many cases. Where contingency is justified, a wide range of circumstances determine the appropriate level of contingency. “Some costs are difficult to estimate with certainty until building work starts.” – Again, a thorough process to determine costs will remove doubt for most sites. This paragraph gives the wrong impression that in many cases considerable doubt will remain until the build gets underway. That is not correct. “Contingency sums should also be higher if your building work needs a consent and must be checked by a project manager or engineer.” This statement is not correct. The requirement or otherwise is not a determinant of the level of contingency exposure. Many straightforward repairs with minimal contingency exposure require a consent
- Page 62 – “But you might be able to get contents insurance and possibly fire insurance depending on the scale of damage and the repairs completed so far”.
- Page 63 – “The cleared land will be uninsured not have EOC land cover.” Land is always uninsured by private insurers so this should be corrected as indicated.
- Page 65 – “If you are buying an ‘as is, where is’ property, you need to understand the risks involved and ensure you do a detailed due diligence investigation before proceeding. There will be no insurance on the property and little to no ability to obtain any insurance until all repairs have been carried out to an appropriate standard”.
- Page 65 “Find out what an insurer needs you to do before it would agree to insure the property again.”

You can see from our third reading of this document, there are still material inaccuracies, misstatements and misleading information that will not benefit the homeowner. The booklet also explicitly provides financial advice on how to set Sum Insured’s which is very misleading. This is particularly concerning as the industry has been trying to educate New Zealanders on SI policies since Sum Insured became the norm. The financial advice provided in the booklet has the potential to not only unwind the hard work insurers have done over the last couple of years but could lead to an increased incidence of under insurance across NZ, which I am sure MBIE would not want to happen.

I strongly believe that government should not be getting involved in commercial settlements of contracts between two parties, this needs to be managed between insurers and their customers. As I mentioned earlier, Vero does not support the publication of this booklet as it relates to cash settlements and respectfully request that the pre-settlement component not be produced or published. I have also copied AA Insurance, who hold a similar view to Vero.

Regards
Jimmy

Jimmy Higgins | Executive General Manager - Claims

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From: "ASHE, David" <David.Ashe@tower.co.nz>
Date: 11 August 2015 2:53:37 pm NZST
To: 9(2)(a)
Cc: "Tim Grafton (tim@icnz.org.nz)" <tim@icnz.org.nz>, 9(2)(a)

Subject: FW: Cash settlement booklet update [IN-CONFIDENCE:RELEASE EXTERNAL]

Hi 9(2)(a)

The comments of Tim Grafton, in the email below, reflect the position of TOWER Insurance. Further, TOWER Insurance has closed and settled 95% of its earthquake claims (most of these by a cash payment), and this booklet may make our customers believe (wrongly) that they may have missed out on something (a position the booklet appears to me to encourage).

There was a discussion at the GM's meeting last Thursday (you had dialled into) stating that if there was any specific comments that these be received by today. Please find listed below some specific comments on the booklet:

- Overall negative tone – general tone indicates a lack of trust of your insurer
- Page 9 – in the 'Questions to Ask Your Insurer' box there is no mention that your insurance policy could only be for present day value (usually limited to market value) – this is quite a different type of policy and readers should be made aware up front what this may mean for their claim (i.e., that much of the booklet is irrelevant, especially in the case of a total loss) – it is finally mentioned on page 23 of the booklet, far too late
- Page 18 – clarification of the types of claim assignment and the reason for insurers taking land assignments in lieu of enhanced foundations would be helpful
- Page 20 – Step 2 'you meet with your claims supervisor to discuss your claim' I think 'if you choose' or 'should you wish' – it is not a requirement
- Page 20 – Step 4 'independent advice' should be clear that all references to 'independent advice' is at the customers own cost
- Page 20 – Step 5 it says '..... less your EQC excesses and insurance excess, emergency works or other investigative costs.' Not all insurers deduct emergency works from settlements (TOWER do not) as they have already been deducted already by EQC and we would have covered this – this whole statement is somewhat ambiguous and unclear on exactly what should or should not be deducted in a cash settlement
- Page 21 – 'How do I dispute my claim?' – saying at 3. to take legal action is not useful – this implies suing your insurer, it is not getting advice, it is a call to action to sue
- Page 22 - final paragraph of 'do I have to cash settle' the last sentence states if the insurer has moved from managed reinstatement to cash then you should seek legal advice this should be amended to '... seek clarification from your insurer or get further advice' (it doesn't need to keep pointing the customer to lawyers at every step)

- Page 24 – talks about selling the property, but this area really needs to be covered off in much more details setting out the rights and obligations around ‘assigned claims’ – i.e., there is no assignment of policy benefits (the right to new for old, the right to temporary accommodation benefits, etc., etc.), and that generally you are limited only to a payment at present day value (usually capped at market value). Much of the new claim enquiries coming to insurers today are from new owners with assigned claims and this is an area that needs to be covered in this booklet (and does appear to be sidestepped).

In summary we do not believe that this booklet should be published, and if it is it will need to be prefaced that it does not have the support of insurers (we can only speak for TOWER of course).

If the booklet was being published 3 years ago it would have been extremely useful – in fact we were crying out for such a resource at that time – however publishing it now will not encourage confidence in the recovery, or in the decisions that many of the residents of Canterbury have made over the last 4 and a half years. I’m certain this is not the intent, but is likely to be an unintended consequence.

I am happy to discuss any of this further should it be required.
Best regards,

David Ashe

Manager – Earthquake Recovery | TOWER Insurance

Level 14, TOWER Centre, 45 Queen Street

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david.ashe@tower.co.nz | www.tower.co.nz

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**Summary of key points and actions
CE Insurance Meeting
8.45am, 14 August 2015**

Present

9(2)(a)

David Griffiths (CERA)

9(2)(a)

Ian Simpson (EQC)

9(2)(a)

Helen Allred & Larry Bellamy (MBIE)

9(2)(a)

Jimmy Higgins (Vero)

9(2)(a)

1. Minutes of 12 June 2015, matters arising and actions

The action items were reviewed with the majority noted as complete. The remaining actions will be covered by today's agenda.

The minutes of 12 June 2015 were accepted.

MBIE's Cash Settlement Booklet was noted as an additional agenda item.

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6. Cash Settlement Booklet

MBIE will be progressing with the publication of the post settlement section of the booklet. An update on the revised publication including timelines will be provided to Insurers next week.

MBIE will work collectively with insurers to manage community expectations on the pre settlement section of the booklet.

Action: MBIE to provide an update on the revised publication of the Cash Settlement Booklet – Post Settlement, including timeframes by 21 August 2015.

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Meeting minutes

Meeting	Rebuild & Repair Communications Steering Group
Date / Time	3:00pm – 4.00 pm Thursday 20 August 2015
Location	CERA Offices, HSBC 62 Worcester Boulevard
Attendees	Jo Fitzgerald (CERA) – Chair 9(2)(a) Renée Walker (IAG), 9(2)(a) 9(2)(a) Response) by phone. 9(2)(a) Linda Falwasser (Southern 9(2)(a) David Griffiths (CERA), 9(2)(a)
Apologies	

Issue / Topic	
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4.	MBIE Cash settlement brochure	<p>MBIE has decided not to publish parts 1-3 of the brochure.</p> <p>Parts 4-6 of the booklet will be progressed with a new introduction. To be circulated to the City Council, EQC, CERA, Worksafe, banks and CanCern in advance.</p> <p>9(2)(a) advised that with there has been a lot of social media following the Avonside Holdings court case and potential changes. She asked if the insurers would consider providing information that would clarify how they undertake cash settlements and any changes as a result of the court case.</p> <p>Action point: ICNZ to ask the insurers to look at how they could provide an overview of how they (individually) undertake cash settlements and any changes as a result of the Avonside Holdings court case eg factsheet or something which could be put on the wall at the ITK Hub.</p>
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